

Message Text

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SUBJECT: CAPITAL MARKETS SEMINAR

REF: STATE 114918; STATE 143745

1. EMBOFF DISCUSSED SUBJECT SEMINAR JULY 10 WITH NELLO RAPHAEL, SENIOR ECONOMIST, MINISTRY OF FINANCE, WHO WAS SOLE PARTICIPANT FROM TRINIDAD. RAPHAEL WAS FRIENDLY AND FORTHCOMING, AND LOANED EMBOFF COPY OF REPORT ON THE SEMINAR WHICH HE HAD PREPARED FOR SUBMISSION TO MINFIN PERMANENT SECRETARY. RAPHAEL SAID THE SEMINAR WAS VERY VALUABLE ALTHOUGH FAR TOO SHORT IN DURATION TO PROVIDE PARTICIPANTS WITH A DETAILED KNOWLEDGE OF MECHANICS OF ENTERING U.S. CAPITAL MARKETS. THE SEMINAR WAS PARTICULARLY TIMELY, FROM TRINIDAD'S POINT OF VIEW, BECAUSE THE GOTT A) IS CURRENTLY STUDYING WAYS OF STRENGTHENING AND UPGRADING THE DOMESTIC SECURITIES MARKET IN TRINIDAD; B) IS CONSIDERING AN EXPANSION OF MERCHANT BANKING IN TRINIDAD; AND C) IS CONTEMPLATING FOREIGN BOND ISSUES AS A WAY OF RAISING CAPITAL FOR ENERGY-RELATED INDUSTRIAL INVESTMENT IN TRINIDAD.

2. RAPHAEL SAID HE VIEWED THE SEMINAR AS "BASICALLY A SALES PITCH" FOR LATIN AMERICAN GOVERNMENTS TO SEEK FUNDS ON THE U.S. CAPITAL MARKET INSTEAD OF EUROBOND ISSUES OR EUROCURRENCY LOANS. HIS IMPRESSION, HOWEVER, IS THAT THE PRESENT TIME IS NOT THE BEST TIME FOR LA GOVERNMENTS TO
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ENTER THE U.S. MARKET BECAUSE THE COST OF BORROWING THERE

IS TOO HIGH AND IT IS DIFFICULT TO FORECAST WHEN IT WILL COME DOWN. HE PARTICULARLY DREW ATTENTION TO THE WIDE RANGE OF MONETARY INSTRUMENTS WHICH ARE TRADED ON THE U.S. CAPITAL MARKET, COMPARED WITH THE FEW NOW EMPLOYED IN TRINIDAD. HE WAS ALSO VERY IMPRESSED BY THE COMPLEXITY OF REGISTRATION REQUIREMENTS AND THE AMOUNT OF "CONFIDENTIAL" FINANCIAL INFORMATION FOREIGN GOVERNMENTS ARE FORCED TO DISCLOSE IF THEY SEEK TO ENTER THE U.S. CAPITAL MARKET. (IN A SEPARATE CONVERSATION, MINFIN PERMANENT SECRETARY REMARKED THAT IF THE GOTT WERE TO ENTER THE U.S. MARRKET, \$100 MILLION WAS THE SMALLEST AMOUNT WHICH WOULD JUSTIFY THE EFFORT INVOLVED, AND HE WASN'T AT ALL CERTAIN THAT SUCH A SUM COULD BE PLACED AT OTHER THAN PROHIBITIVE INTEREST RATES.)

3. AS FAR AS SPECIFIC SUGGESTIONS FOR IMPROVING THE SEMINAR, RAPHAEL RECOMMENDED LONGER DURATION. ALTHOUGH HE ACKNOWLEDGED THAT SENIOR OFFICIALS FIND IT DIFFICULT TO GET AWAY FROM THEIR JOBS, HE NOTED THAT MOST OF THE PARTICIPANTS HAD SPENT TWO DAYS TIMEFOR TRAVEL TO PARTICIPATE IN A TWO-DAY-LONG SEMINAR. ANOTHER SUGGESTION WAS THAT SEMINARS BE DIVIDED INTO TWO GROUPS; ONE FOR SENIOR OFFICALS (IN COUNTRIES WITH RELATIVELY LESS DEVELOPED CAPITAL MARKETS) CONCERNED WITH POLICY IMPLICATIONS, AND ANOTHER FOR LOWER-LEVEL OFFICIALS FROM COUNTRIES WITH DYNAMIC SECURITIES MARKETS, TO CONSIDER NUTS-AND-BOLTS MATTERS SUCH AS REGISTRATION, DISCLOSURE, AND REGULATORY ACTIVITIES. HE ALSO RECOMMENDED THAT OFFICIALS FROM GOVERNMENTS SERIOUSLY CONSIDERING THE U.S. CAPITAL MARKET BE ATTACHED TO THE U.S. TREASURY DEPARTMENT AND THE SECURITIES AND EXCHANGE COMMISSION FOR SEVERAL WEEKS EACH, IN ORDER TO ACQUIRE AN IN-DEPTH KNOWLEDGE OF U.S. POLICIES AND THEIR APPLICATION. (APPARENTLY SOME KOREANS WHO WERE "ATTACHED TO THE TREASURY DEP." ATTENDED THE SEMINAR). BY COMPARISION WITH OTHER OAS CAPITAL MARKETS SEMINARS, RAPHAEL REMARKED THAT HE FELT THE WASHINGTON MEETING WAS FAR MORE VALUABLE AND BETTER ORGANIZED THAN A PREVIOUS SESSION HELD IN JAMAICA, WHICH HE SAID BROKE DOWN INTO ACRIMONIOUS EXCHANGES BETWEEN COMMERCIAL BANKERS AND GOVERNMENT ECONOMIC OFFICIALS.

4. EMBASSY GREATLY APPRECIATES ECP'S EFFORTS TO FORWARD THE LIMITED OFFICIAL USE

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NEWS REPORT (POS 1300), WHICH IS AN EXTREMELY-WELL-INFORMED VIEW OF THE EXISTING SECURITIES MARKET IN TRINIDAD AND TOBAGO.
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